

Analyzing the Influence of Ethical Sales Behavior on Customers Loyalty through Customer Satisfaction and Trust in Insurance Company

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Abstract

The purpose of this study is to analysis of a model for investigation the influences of ethical sales behavior on customer loyalty in insurance industry with a case study in Parsian Insurance Company in Iran. The theoretical topics collected by means of library and Internet and the data was obtained from questionnaire. To analyze the data, the structural equation modeling embedded in the AMOS software was applied. The results of analyzing data reveal that the presented model is an appropriate model for investigation the influence of ethical sales behavior on customer loyalty in insurance company. Results also show that the salesperson's ethical behavior has an important influence on customer satisfaction from salesperson and their trust to the seller. Ethical behavior also has great impact on customer loyalty to the insurance; however this influence is not proven directly, it is mediated by customer satisfaction and trust to the salesperson.

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Introduction

Nowadays economical countries are moving toward service industries. In this regard, we could point to the insurance industry, which is operating in various branches throughout the world. On the other hand, the customer ability of selection among various companies has led to more competition in the market of this industry. Customer satisfaction is also not enough for companies, since it is not the sign of repurchasing, and so companies are looking for developing the loyalty among their customers. Loyal customers by their repurchasing, advertising with the word of mouth and ... consider as a profitable and long-term investments for companies. On the other hand, in services, the effect of ethical sales behavior observe far greater than sales of tangible goods. Ethical sales behavior could name as a non-price factor, however it has a high financial impact. The focus on building successful customer relationships puts salespeople in a critical strategic position relative to the customer (Alrubaiee 2012; Hansen and Riggle 2009). Also it could nominate as a means of differentiation to achieve higher revenue growth and improved market share. In this way, the purpose of this study is to propose and analysis of a model for investigation the influences of ethical sales behavior on customer loyalty in insurance industry with a case study in Parsian Insurance Company in Iran.

LITERATURE REVIEW

1. Ethical Sales behavior

According to Roman and Munuera (2005), ethical sales behavior is fair and honest actions that enable the salesperson to foster long-term relationships with customers based on customer satisfaction and trust. Salespersons typically have personal interactions with the customer and their actions are more readily visible, and unethical behavior can have a profound effect on the public opinion of the company (Mantel 2005). Even though unethical selling behavior is a highly elusive construct and is often situation specific (Legace et al. 1991) and unethical sales behavior as perceived by the customer is defined as a short-run salesperson's conduct that enables him/her to gain at the expense of the customer (Alrubaiee 2012). There is neither a universally accepted definition of business ethics, nor a standard measure that allows an individual or event to be uniformly judged as ethical or unethical (Chen and Mau 2009). Definitions of ethical behavior versus unethical behavior are based upon the degree to which a proposed act is perceived as right versus wrong, good versus evil, fair versus unfair, or just versus unjust (Roman 2003). Some Example of such unethical activities include lying or exaggerating about the benefits of a product, lying about availability, lying about the competition, selling products that people do not need, giving answers when the answer is not really known, and implementing manipulative influence tactics or high-pressure selling techniques (Alrubaiee 2012; Chen and Mau 2009; Roman and Ruiz 2005). Ethics is a central issue in financial services. Ethics can generate liability problems for salespeople's organizations through both intentional and inadvertent statements. Financial institutions are vulnerable to many legal and ethical abuses and very expensive forms of corruption (Chen and Mau 2009).

2. Satisfaction

There are various definitions of customer satisfaction according to the particular purpose of each study (Lin 2012). Recently, researchers have argued that there is a distinction between customer satisfaction as related to tangible products and as related to service experiences. This distinction is due to the inherent intangibility and perishability of services, as well as the inability to separate production and consumption (Dimitriades 2006). Many studies confirm the correlation between the customer satisfaction and increase in the sales. Since salespersons work as the critical bridge between the company and customers, the company's benefits depend on them (Hazrati 2012). Hence, customer satisfaction with services and with goods may derive from, and may be influenced by, different factors and therefore should be treated as separate and distinct (Dimitriades 2006). Results from previous research indicated that customer satisfaction with the salesperson increased when the customer felt the salesperson had been fair in the transaction, which is associated to ethical sales behavior (Kennedy et al. 2001).

3. Trust

Trust regarded as a key ingredient for the development of long-term business and has been recognized as a highly significant tool for enhancing company relationships (Alrubaiee 2012). Kennedy et al. (2001) define customer trust in the salesperson as the customers' perception that the salesperson works for the customers' best interests and behaves benevolently and honestly. In other words, customer trust in the salesperson is a property of the ongoing relationship and not merely based on a single, exchange episode, and trust is developed through repeated interactions between both parties in which the customer observes the salesperson to be consistent, competent, honest, fair, responsible, and benevolent (Roman and Ruiz 2005). Mishra et al. (2008) posited that there are four dimensions of trust (i.e., reliability, openness, competence, and concern). Speckman (1988) posited that trust is central relationship construct; it has been referred to as "the cornerstone of the strategic partnership"(Alrubaiee 2012).

Research indicates that trust is very important in the service encounter and is the key factor of success (Coulter and Coulter 2003). Customer trust has been shown to be earned by the honest actions of sales representatives, which is a component of ethical sales behavior And, Kennedy et al. (2001) show that when salespeople implement a low-pressure selling approach (another component of ethical sales behavior), customer trust increases significantly.

4. Loyalty

In reality loyalty should be explain as a customer commitment to do dealing with a particular firm, buying their products and services and referring it to colleagues. By tradition, customer loyalty is divided into two components one is based on behavior and the other is based on attitudes (Guillén et al. 2011). Due to the rapid development of the service industry in recent years, it is evident that the exploration of customer loyalty has evolved from tangible product brands into intangible service sectors, and from actual purchasing behavior into composite measures of behavior and attitude (Lin 2012). Loyal customers tend to have a higher level of recommendation intention and repurchase intention. Loyalty increases repurchase behavior because loyal customers demonstrate greater resistance to counter persuasion and negative word-of-mouth. Loyal consumers might be less price-sensitive and decrease the risk of defection due to competitors' promotional activities (Lin 2012). Customer respect oriented business organization will attract and develop loyal customers (Chang and Chen 2007). A firm can develop long lasting, jointly profitable associations with customer by developing

customer loyalty. Customer loyalty is a vital element for the continued existence and operating of firms business (Chen and Hu 2010). The success of company sales are ensured by customer loyalty, which can be influenced by management action (Gerpott et al. 2001)

5. Relationship among study variables

Salespersons, as frontline service employees, are representatives of the organizations in their customer's eyes (Chen and Mau 2009). Research has indicated that ethical sales behavior may not be able to enhance performance, When a salesperson's behavior is perceived as ethical, the organization is also perceived as ethical (Lin 2012) and a salesperson with good ethics could establish a favorable relationship with the customer, thereby acquiring the customer satisfaction and trust (Lagace et al. 1991; Roman and Ruiz 2005; Vesel and Zabkar 2009; Alrubaiee 2012; Hazrati 2012). If the salesperson provides correct information, then the customer will feel more satisfied with the service and the trust and satisfaction will be followed by word-of-mouth recommendations. Therefore, it is clear that the positive ethical sales behavior will decrease the transaction costs that result from false information and thus have a positive effect on customer satisfaction (Lin 2012). The evidence from pharmaceutical and financial service industries also showed that a salesperson's ethical sales behavior is positively related with customer satisfaction (Lagace et al. 1991; Roman and Ruiz 2005; Lin 2012). Customer trust in the relational sales context can be defined as a confident belief that the salesperson can be relied upon to behave in such a manner that the long-term interest of the customer will be served (Crosby et al. 1990; Alrubaiee 2012). Different exploratory studies have shown that customer trust in the salesperson can be earned by the honest actions of sales representatives (Swan et al. 1988; Alrubaiee 2012), as well as low-pressure selling techniques (Kennedy et al. 2001; Alrubaiee 2012). Therefore, research suggests that the salesperson's ethical sales behavior increases customer trust in the salesperson. Holden (1990) suggests that the salesperson's ethical sales behavior is positively related to customer trust (Alrubaiee 2012). The results of Chen and Mau (2009) studies show that ethical sales behavior plays a major role in affecting customer trust. Cater and Zabkar (2008) suggests that in relationships where trust is high, it is more likely that clients will continue the relationship because they like the provider and enjoy working with him. Researches indicate that successful relationship marketing efforts improve customer loyalty and firm performance through stronger relational bonds (e.g., De Wulf et al. 2001; Sirdeshmukh et al. 2002; Alrubaiee and Alnazer 2010; Alrubaiee 2012). Most studies have indicated that customer satisfaction is the key determinant of loyalty and has a positively significant effect on loyalty (Han et al. 2008; Lin 2012), on the contrary, it has also been found that customer satisfaction has no significant effect on loyalty in some service sectors (Lin 2012). Since loyalty is considered to be the complement of trust (Josep and Velilla 2003), the degree of customer loyalty is an important consideration for service firms (Agnihotri et al. 2012). The study indicates that, this behavior had a positive impact on customer satisfaction, trust and loyalty. Customer loyalty to the service company can also be conceptualized as a combination of a customer's intention to maintain an ongoing relationship with the service company and to recommend it to other consumers (Sirdeshmukh et al. 2002). Therefore, customer trust has a positive influence on customer loyalty. The greater the customer trust is, the higher the customer loyalty becomes (Alrubaiee 2012). Based on the literature review, hypotheses are examined; Figure 1 shows the conceptual model and proposed hypotheses:

H1: Ethical sales behavior has a significant effect on customer satisfaction.

H2: Ethical sales behavior has a significant effect on customer trust.

H3: Customer satisfaction has a significant effect on customer trust.

H4: Customer satisfaction has a significant effect on customer loyalty.

H5: Customer trust has a significant effect on customer loyalty.



Figure 1- Conceptual Framework

METHODOLOGY

In this study, the relation between ethical sales behavior and customer loyalty through customer satisfaction and trust in Parsian insurance companies investigated. The total of 367 questionnaires was returned up, of which only 342 of them were found valid. The data for this study were gathered through the questionnaire with 30 items;5 items were included for ethical sales behavior adopted from Roman (2003),5 for customer satisfaction with salesperson adopted from Roman and Ruiz (2005) and Dimitriades (2006), 9 for customer trust with salesperson adopted from Roman and Ruiz (2005) and Kennedy et al.(2001) and 6 for customer loyalty adopted from Sirdeshmukh (2002).Variables were measured with Likert-type scale of 1 to 5, by using the anchors "strongly disagree" (1) and "strongly agree" (5). The first part contains the demographic questions. The profile of respondents depicts in Table I. Alpha coefficient (α) was used to test the internal consistency among the measurement items for a given construct. The chronbach's alpha value of items was 0.812 as it is greater than 0.7, our questionnaire is variable. This is also shown in the table II.

Table I. Description of respondents

Item	Description	Percentage
Gender	Male	58.8
	Female	41.2
Marital status	Single	28.7
	Married	71.3
Age	Under 20	6.7

	21-30	32.5
	31-40	29.5
	41-50	16.1
	More than 50	15.2
Using insurance	One year	24
	Two year	20.8
	Three year	35.1
	Four year	3.2
	Five year	17

Table II. Cronbach's alpha coefficients

construct	Coefficients
Customer satisfaction	0.827
Customer trust	0.884
Customer loyalty	0.862
Ethical sales behavior	0.931

Additional measures are assessed using structural equation modeling (SEM) and AMOS 21. Model fit determines the degree to which the structural equation model fits the sample data. The model are tested and provided good indicators of fit (Table III):

Table III. Results of the AMOS estimation of the structural model

Chi square / d f	1.421
the comparative fit index (CFI)	0.904
Tucker-Lewis coefficient (TLI)	0.893
relative fit index (RFI)	0.713
root mean square error of approximation (RMSEA)	0.035

The analysis then proceeded to examine the causal relationships between these variables. As expected, the results support all hypotheses. In this model the path from ethical sales behavior to customer satisfaction and trust is calculated, and the standardized coefficient which is obtained from ethical behavior to satisfaction and to the salesperson is positive and highly significant. So, H1, H2 are supported. The standardized coefficient that obtained from satisfaction and trust to customer loyalty is positive and highly significant. Also, the standardized coefficient that obtained from customer satisfaction to customer trust, customer satisfaction to customer loyalty and customer trust to customer loyalty is positive and highly significant. Therefore, H3 to H5 are supported. The results concerning the testing of hypotheses summarize in Table IV.

Table IV. Constructs hypotheses

Hypotheses	Estimate	S.E.	C.R.	P
H1	0.241	0.265	1.895	0.002
H2	0.471	0.139	3.035	0.000
H3	0.054	0.291	2.205	0.000

H4	0.304	0.424	3.953	0.000
H5	0.253	0.217	3.807	0.000

Structural equation model of the conceptual model along with regression coefficients are represents in Figure 2:

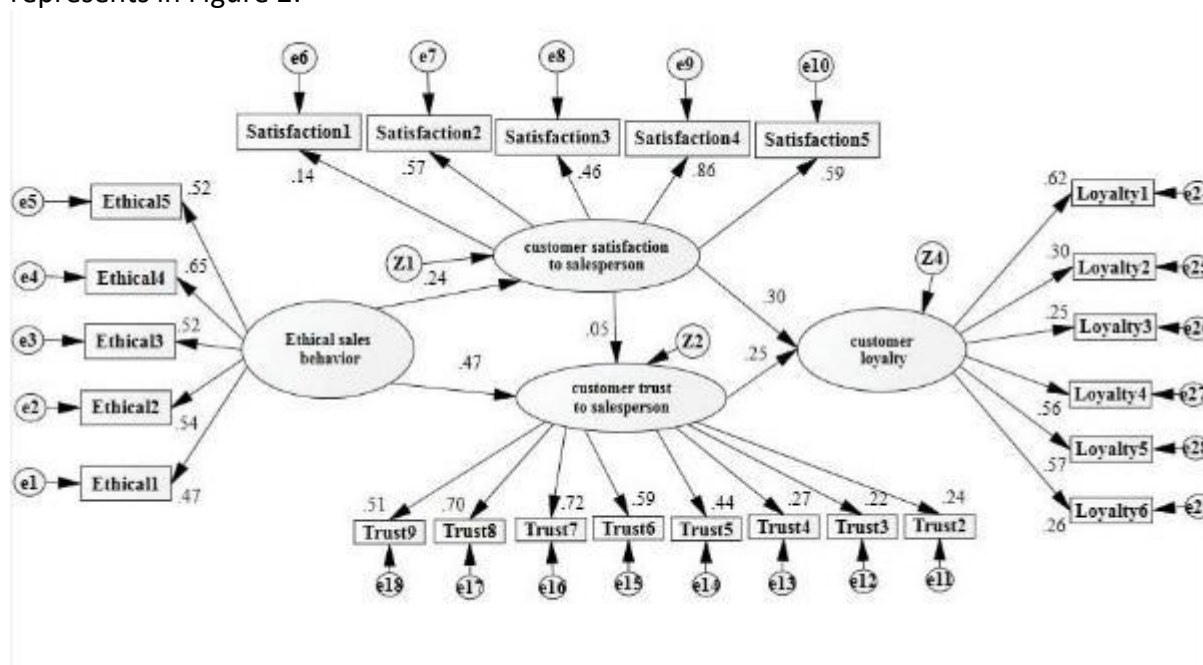


Figure 2 structural equations model of conceptual model

Discussion and managerial implications

This research analyses the role of ethical salesperson behavior as perceived by the customer in developing customer loyalty through customer satisfaction and trust in the insurance industry. The results show that ethical sales behavior positively affect customer satisfaction and trust to the salesperson. These finding are in line with the finding of Alrubaiee (2012), Hazrati (2012), Chen and Mau (2009), Roman and Ruiz (2005) and Roman (2003). Moreover, the results reveal that customer satisfaction and trust are an important mediating determinant between ethical sales behavior of salesperson and customer loyalty in the automobile insurance industry. The finding also consistent with Alrubaiee (2012) and Chen and Mau (2009).According to Chen and Mau (2009), “the salesperson’s ethical behavior is vital. Therefore, for these companies which have a dream to establish a long term relationship with their customers, how to encourage their salesperson to upload ethics when making sales to customer is very important.” The results also show that customer satisfaction has a great impact on customer trust. Furthermore, Kennedy et al. (2001) shows that customer satisfaction and trust increase significantly, when salespeople implement a low-pressure selling approach. In services, the effect of ethical sales behavior observe for greater than sales of tangibility. Furthermore the empirical results of this study strongly support the implementation of previous studies finding and highlight the important role of salesperson ethical behavior in developing relationship with customer. From the managerial perspective, the insurance company should teach employee to perform ethical code, and be serious about it, if they want to have a long term relationship with their customer. On the other hand, they should emphasize that unethical behavior is not acceptable.

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